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SIPDIS

SENSITIVE

PARIS PLEASE PASS TO CODEL HEFLEY MEMBERS

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SUBJECT: TURKEY: SCENESETTER FOR CODEL HEFLEY

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¶1. (SBU) SUMMARY: We look forward to your upcoming visit. It comes at a key decision time for Turkey. US-Turkey relations have been dominated recently by Iraq. Should the Turks continue delaying a decision to support US military requests related to Iraq, our close regional, economic, and strategic cooperation could be in question. Over the last two years the US has supported Turkish economic reforms and recovery from its worst economic crisis in decades. Despite the concentration on Iraq, the strategic partnership has grown as a result of Turkey's significant support in the global war on terrorism, including taking leadership of the International Security Assistance Force (ISAF) in Afghanistan. Over the last six months, the governing coalition of Bulent Ecevit crumbled and was replaced in November elections by the first majority government in over ten years. The new Islam-influenced AK Party, which holds almost two-thirds of the seats in Parliament, is now facing numerous external challenges including Turkey's EU candidacy, Cyprus, and Iraq.

END SUMMARY

Political-Military Issues

¶2. (SBU) Iraq: The US and Turkey have been engaged in intense and detailed discussions about Iraq for the last 11 months, including the possibility of military operations. The Turkish public overwhelmingly opposes military action against Iraq and opening Turkish bases to the US. The GOT is not enthusiastic about working against that trend. Turks fear that an Iraq war would have a serious negative economic impact on them and could lead to increased instability next door and in Turkey's restive southeast. On Feb. 6 the Turkish Parliament authorized deployment of US forces to prepare sites for a full US deployment here. We understood that the Turkish Parliament would consider support for US troops Feb. 18. That vote has been delayed. Whether there will be a US-Turkish agreement resulting in Parliamentary authorization remains an open question.

¶3. (SBU) Operation Northern Watch: Turkey continues to support Operation Northern Watch (the northern no-fly zone) based out of Incirlik, which was again renewed for six months on Christmas Day. The Turks also have good relations with the Patriotic Union of Kurdistan, and had a visit from Kurdistan Democratic Party leader Masoud Barzani the first week of January which helped put what had become a tense and unhappy relationship back on a more cooperative footing. The Turks are strong supporters of the Iraqi Turkmen Front, and have recently begun meeting for the first time with Iraqi opposition groups other than the KDP, PUK, and the ITF. The Turks met jointly with the KDP, PUK, ITF and the US Presidential Envoy Zalmay Khalilzad in Ankara at the beginning of February to discuss visions of a post-Saddam Iraq. All participants agreed to coordinate future efforts in this regard.

¶4. (SBU) Global War on Terrorism: Immediately after 9/11, Turkey opened its infrastructure to the US military for the GWOT and supported the invocation of Article V at NATO. Turkey has granted clearance to over 8000 US sorties in support of Operation Enduring Freedom (OEF) in and through Turkey. The GOT has also offered special operations forces and aerial refuelers for Operation Enduring Freedom. But chief among the GOT's contribution was its agreement to take over leadership of the International Security Assistance Force (ISAF) in Afghanistan in June 2002, which it relinquished on February 10 .

¶5. (SBU) NATO: Ankara was supportive of the US agenda at the

NATO Prague Summit in November, including our push for NATO expansion and improved capabilities. Turkey's primary concern is keeping the three NATO commands currently located in Turkey after the command structure review is conducted in Brussels which seeks to streamline (and thus cut) the number of commands. Turkey has relied heavily on US support at NATO to gain approval for planning for the defense of Turkey in the event of an attack from Iraq. Approval for such planning by NATO military authorities was given Feb. 16 after four weeks of debate in Brussels.

16. (SBU) Arms Sales: A \$1.1 billion contract for four Boeing AEW&C aircraft was signed last June. Since then, contract effectively has been delayed twice because of GOT dissatisfaction with USG restrictions on certain technology transfer as well as other commercial issues. These problems are working their way to resolution, and we hope for effectivity by early March. Meanwhile, a \$2.0 billion contract negotiation with Bell-Textron for 50 attack helicopters has been stalled by price issues.

Political Scene

17. (SBU) The AK Party won a major victory on Nov. 3 and controls 362 (of 550) seats in the legislature. After assuming power Nov. 18, AK moved quickly to promote Turkey's EU candidacy by passing a package of long overdue human rights reforms, and with strong USG support garnered an EU conditional date of end-2004 for the beginning of formal EU accession talks. In other areas, AK's inexperience and lack of expertise is hampering decisions on complex issues and is preventing application of the clean government and economic and democratic reform program it promised. AK, with its roots in Islamic politics, is further handicapped by poor relations with traditional State institutions that are loath to tolerate most expressions of religiosity, and which see AK as a challenge to the status quo. In this regard, the judiciary launched a case to close AK some 10 days before the last elections. On Jan. 8, Turkish General Staff issued a strong warning to AK -- whose poll numbers have been on the upswing since the elections -- to abandon policies allegedly at odds with the secularist principles of the Kemalist Republic. The political ban against AK leader R. Tayyip Erdogan will run its course by late February. He has already announced his candidacy for Parliament in the special March 9 election in Siirt province, but his candidacy may still be challenged by the election board or judiciary. If Erdogan is allowed to stand, and wins, the way will be cleared for his assumption of the prime ministership.

Cyprus

18. (SBU) AK Government has been far ahead of its predecessors in pushing for a solution on Cyprus -- and has pressed "TRNC President" Denktas to negotiate on the draft UN Cyprus settlement plan. Negotiations to reach a solution in the decades-old Cyprus dispute continue, against the backdrop of unprecedented, massive demonstrations in Turkish Cyprus aimed at both Denktas and the Turkish Establishment that has long nurtured him. AK leader Erdogan and other AK officials have openly criticized Denktas and by implication Turkey's traditional policy. However, while working toward an agreement, Turkey has yet to obtain a package it deems acceptable.

19. (SBU) Current UN efforts call for the parties to complete a deal by February 28, which would allow sufficient time for a settlement to be incorporated into Cyprus' EU accession treaty. (The EU at its December summit in Copenhagen agreed to admit Cyprus; the treaty will be signed in April). Turkish sensitivities include: 1) the need to maintain security for Turkish Cypriots (and mainland Turkish "strategic" interests on the island); 2) the question of territorial adjustments and the right of displaced Greek Cypriots to return to (or seek restitution for) their former properties; and 3) the equal status of Turkish Cyprus within the new partner state.

Economic Issues

110. (SBU) Economic Crisis: Although nearly two years of IMF-backed economic reform have laid the foundation for

greater financial stability and growth, Turkey's enormous public debt burden and structural weaknesses keep the economy fragile. The key during 2003 is to maintain market confidence, so investors will continue to lend the government the massive amounts it needs to avoid a debt default. Markets initially greeted the AK election victory, and AK's commitment to further economic reform, with a rally. So far, however, the government's performance has been disappointing.

Rather than pursue reform, the government has adopted populist spending policies and moved to dismantle some key reforms. Strong international and market pressure over the past month have forced the government to respond, including with announcements of new fiscal and privatization measures, but it is still not clear whether the government will implement the full reform program. Expectations of a large U.S. bilateral assistance package in the context of an Iraq operation have propped up markets despite disappointment with the government's policies.

¶11. (SBU) Trade Relationship: In January 2002, President Bush and then-Prime Minister Ecevit committed to enhance the bilateral economic relationship. One pillar of that initiative is superb cooperation on building an East-West energy corridor to bring Caspian oil and gas through Turkey to the West. The U.S. administration has also submitted Qualifying Industrial Zone (QIZ) legislation to the Congress.

Turkish expectations about US economic support remain high, particularly in the context of a possible Iraq operation. They are looking to the U.S. to provide substantial financial support to offset expected losses and keep the overall economy afloat, and to offer new trade initiatives to boost exports and offset possible job losses. In the Turkish view, both types of assistance are essential for the government justify cooperation in the face of widespread public opposition to an operation.

PEARSON